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Outline of a plan for funding the national debt...

Chicago

1913

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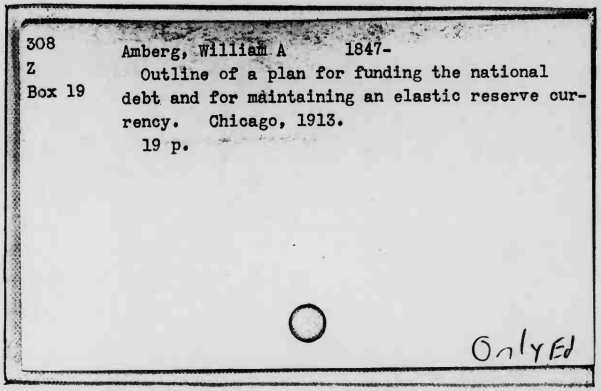
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President's Office G.
JUN 6 1913

OUTLINE OF A PLAN

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Box 19

FOR

Funding the National Debt

AND FOR

Maintaining an Elastic Reserve Currency

BY
WILLIAM A. AMBERG

CHICAGO:
PRINTED PRIVATELY FOR THE AUTHOR
1913

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FOREWORD

It has been the declared policy of President Wilson's administration to invite suggestions from persons wholly disconnected from, and not pecuniarily interested in, matters which are the subject of legislation in order that more complete information may be placed in the hands of the law-making body and the interests of the people conserved.

In response to this general invitation I have, in the following pages, outlined a financial plan which, though briefly presented, will suggest some new thoughts in regard to our currency.

I see no reason why new ideas should not be developed in finance as well as in other lines. That they sometimes come from sources least expected is my apology for venturing in this field.

Writing, as I do, for the average business man and accountant as well as for financiers, I trust the latter will excuse any unnecessary detail which may appear in the presentation of my idea of how an automatic, highly elastic, reserve currency may be secured.

WILLIAM A. AMBERG

Jury Commissioners' Office,
Chicago, May 12, 1913.

A PLAN FOR

Funding the Entire National Debt

AND CREATING A

Highly Elastic Reserve Currency

The aim of the writer is to present for consideration a practical, permanent financial plan, with some new features to accomplish the following:

Get the Government out of the banking business.

Provide a highly elastic currency based on Government bonds.

Insure the lowest possible interest to the Government on its bonds by a periodical fixing of the interest rate to maintain parity with gold.

Avoid depreciation of the currency.

Prevent undue inflation of the circulating medium.

Provide a highly sensitive "reserve" currency which will be "self-adjusting" to the needs of the country, available on demand but not in circulation generally.

Provide bonds *available as bank reserves* which may be immediately exchanged for currency.

Make possible the funding of the National Debt as rapidly as desired, with due regard to ultimate saving of interest.

Give to bondholders a *general* privilege which will insure a very low competitive interest rate.

Many other incidental advantages capable of modification.

In order to set the plan clearly before the reader, it is advisable that we make a brief survey of the situation as it is, because theories and plans, however perfect, are affected by conditions that must be considered.

GOLD AND SILVER CERTIFICATES.

The Treasury now issues,

1. BULLION CERTIFICATES for uncoined gold.
2. GOLD CERTIFICATES for gold deposited. (The smallest denomination being ten dollars.)

3. SILVER CERTIFICATES for silver dollars deposited. (These are of both large and small denominations.)

In addition to the foregoing, the plan hereinafter outlined provides for:

BOND CERTIFICATES exchangeable (as readily as the foregoing) for Government bonds of a new form, and which are intended to provide an automatic, highly elastic currency when and where needed. These bond certificates are identical with our present U. S. Notes (greenbacks) except that they are convertible into bonds and *vice versa*, under a fixed plan herein outlined.

It is highly probable that a plan to establish a currency based on Collateral security may be devised, thus creating

COLLATERAL CERTIFICATES (Bank notes or U. S. notes issued against collateral security).

As to the last, I shall not attempt the solution of a problem taxing the ingenuity of our ablest financiers. The final determination can be safely left to the President and the Congress; possibly in outlining a plan *as to the rest*, a system may be developed which will simplify the situation and establish a complete and harmonious whole. It is possible, also, that Collateral "bank notes" or "Collateral certificates" may be deemed unnecessary.

OBJECT.

My particular purpose is to draw attention to new and practicable features whereby the suggested bonds and "bond certificates" can be made interchangeable on demand at the Treasury, or any sub-treasury, with great advantage in the saving of interest, besides being of benefit not only to bankers, but to all investors alike, and to the community as a whole.

THE NEW BONDS.

Authorize the funding of the public debt and the issue of short term, *e. g.*, 10 year renewable term bonds, in an amount to *fully* cover the principal of the entire debt.*

*The interest bearing debt, March 1, 1913, exclusive of Postal Savings bonds, is ..... $ 963,317,490
Debt on which interest has ceased at maturity 1,677,650
Debt bearing no interest 376,460,242

Total debt to which the plan is applicable $1,341,455,382
Postal Savings 2½% bonds 2,389,120

Aggregate of interest and non-interest bearing debt $1,343,844,502

See Note 1, on page 19.

There should be, say, twenty issues of equal amount maturing six months apart.

Let us assume that the total amount *authorized* is 1,500,000,000 dollars; this would make each issue $75,000,000.

The interest rate on the bonds, which may vary with each issue, will be discussed later; for the present, let it suffice to state that the interest rate is to be determined for each issue when made.

With the complete funding of the debt there will mature $75,000,000 of bonds every six months, and the interest rate should be fixed on each renewal issue.

TIME REQUIRED FOR FUNDING.

It will not necessarily take ten years to refund the debt. Funding can proceed as rapidly as desired or as may be found economical. The first issue would necessarily be for ten years, other issues after the lapse of every six months would also be for ten years, but *intervening* issues can be made for shorter periods, each timed to expire six months earlier than the earliest maturity of bonds previously issued, as 9½ years, 9 years, 8½ years, etc., from the date of the first issue. Thus the period of funding would be shortened and yet the renewal of each issue would come regularly every six months once the debt is entirely funded. The object of all this will appear later when we come to apply an interest rate.

INTEREST TABLE ON BONDS.

On the back of each bond should be printed a table showing the accrued interest (according to the interest rate it bears) for each given day in the year between coupon maturity dates.

We then have a bond representing a specific amount and showing the amount of accrued interest on any given day.

THE BOND CERTIFICATES.

The "bond certificates," as previously stated, are practically the same as our present U. S. Notes and need only an added clause to the effect that they are exchangeable for the new interest bearing bonds *at par* upon payment of the accrued interest on the day the exchange is made. These certificates *alone* are exchangeable for the bonds. This is an absolute requirement and suggests the desirability of exchanging all the various kinds of certificates now issued, *in kind* only, as gold for gold certificates and silver for silver certificates only. As to silver certificates

which now can command gold, I will have something to suggest later.

At first glance, it would seem that we double the debt because the certificates are prepared to an equal amount with the bonds. This however, is not the case, by reason of the way it is proposed to issue them, any more than our gold certificates double the amount of money, which of course, they do not.

THE CUSTODIAN.

Each issue of bonds, when ready, is to be delivered to an official of the Treasury Department whom I will designate the "Custodian," whose duties are practically the same as those of the officer who now exchanges gold for gold certificates and *vice versa*, the only difference being that he is provided with an interest fund.

He gives out the bonds for *bond certificates only*, collecting the accrued interest shown on the back of the bonds, and when the operation is reversed and bonds are *presented* for certificates, he *pays* the accrued interest.

He is not to part with bonds *for any other form of money, not even for gold.* There will always be the same amount of certificates in his possession as there are bonds outstanding.

LEGAL TENDER.

I assume that the legal tender character now attaching to greenbacks will apply to bond certificates which replace them.

As a currency, it is bettered because secured by interest bearing U. S. bonds.

They are never to be paid out by the Treasury before the new bonds are in the hands of the Custodian, nor in excess of the amount of bonds so placed.

They are to be paid out only for the *principal sum* of the debt which they cancel. The present debt includes the so-called greenbacks.

THE NEW BONDS AS BANK RESERVES.

The bonds being instantly convertible into legal tender bond certificates are especially adapted for bank reserves, not only for National Banks but *all other* banks, trust companies, and all classes of investors who have idle money awaiting investment. The sum of all these combined is so large that the demand for bonds can be met only in part, which will enable the Treasury

to secure a very low interest rate on bonds, virtually a Government "call loan" rate. Banks could keep a large part of their money reserve in these bonds, because they could be converted any day into bond certificates at any sub-treasury and conservative bankers could, therefore, increase their present reserves without loss.

There is no way of determining what the money reserve of all the banks and trust companies aggregates. It can only be conjectured.

For this purpose let us consider our

STOCK OF MONEY.

The Treasury's estimate of the stock of money in the United States on March 1st, 1913, excluding $174,897,996 subsidiary silver, was.....$3,533,297,528
Deducting cash in the Treasury held as assets.. 342,286,969

leaves.....$3,191,010,559

as the amount of money in circulation. Assuming that $2,500,000-000 of this money is on deposit, the total issue of the new bonds (which would be less than 60 per cent of this sum) could be held *by banks alone* as a part of their reserves, because instantly convertible into currency. The amount of National bank notes outstanding is about 750 million dollars. With these figures in mind, it would seem that an "emergency currency" would not be needed, but this is a matter for bankers to determine.

THE RATE OF INTEREST ON BONDS.

The recent circular of a firm making a specialty of Government bonds gives a table showing high and low prices, during certain years, of bonds available as security for National Bank Notes. This shows a mean average interest yield on 2 per cent bonds ranging from 1.68 in 1901 to 1.96 per cent in 1912.

This low rate arises from the competition of National Banks alone. How much lower the interest rate might be, if they were sought in universal competition, coupled with facilities for instant conversion into currency, may be imagined.

I quote from the same circular: "It is a notable anomaly that in anticipation of and during times of financial stringency Government bonds have almost invariably advanced sharply in

price, due to the desire of banks to obtain the necessary bonds to provide for a transfer of currency for local use."

DETERMINING THE INTEREST RATE.

To be absolutely on the safe side, let us assume that the first issue of $75,000,000 ten year bonds bear interest at the rate of 2 per cent. If that proves too high, considering their desirability, it will manifest itself by the bonds commanding a premium in the *open market.*

When such proves to be the case, it is easy to determine what lower rate of interest will suffice to keep them on a parity, or a little above parity with gold.

FIXED SCALE OF INTEREST RATES.

I suggest that interest rates be always fixed at a multiple of 1.5th (.2) of one per cent, as 1.6, 1.8, 2.0, 2.2, 2.4, etc., per cent, because even if bonds should be issued in denominations as small as $50.00 there will be no fractional cents in the semi-annual coupons; the coupons then will be multiples of 5c on a $50.00 bond, 10c on a $100.00 bond, 50c on a $500.00 bond and one dollar on all the larger denominations.

INTEREST ON HOLIDAYS.

A further advantage in computing the interest tables to be printed on the back of the bonds would be by basing same on 180 days for the 181 days of the first six months of the year (182 in leap years), and 180 days for the 184 days of the last six months, by treating certain holidays as "non-interest earning" days, but this is not essential.

So far as the Treasury is concerned, *it recognizes no premium or discount* in making exchanges of bonds and certificates, regardless of whatever the "open market" may be, but in order that parity with gold may be maintained and also that the certificates may be a real reserve currency ordinarily withheld from circulation, the interest rate on each series of bonds when issued or renewed should be such as to command a very slight premium for the bonds.

Bond certificates immediately exchangeable for bonds bearing even a very low interest rate will be withheld from general circulation by banks, and other forms of currency and gold will be paid out instead.

FREQUENT PERIODIC RENEWALS OF BONDS.

The frequent and regular renewals of the various issues of bonds (every 6 months) after the system is once fully established, and bearing an interest rate adjusted to the situation at the time, will bring about as near an approach to an automatic elastic currency as it is possible to create.

NO DISCOUNT.

The above ideas being followed, it is evident that these bonds will never be at a discount. Temporary "aberrations" in the money market will correct themselves and the system will have a steadying influence on the "value of gold," just as an "idler pulley" has a steadying effect on a leather belt transmitting power.

DENOMINATION OF THE BONDS.

The question as to what the denominations of the bonds should be can be determined by experience gained from the first issue. However, to insure perfect equality and no special privilege to any class, it seems desirable that some bonds as small as $50.00 should be issued.

DUTIES OF THE CUSTODIAN.

The Custodian's duties are substantially these:

He must give out bonds for bond certificates only and bond certificates for bonds only. The interest, either way, is to be paid in other forms of money; hence, if he be given a certain amount of the new bonds, he will—whatever the exchanges may be—have always the same total amount in bonds and bond certificates.

Custodianships may be established in other than sub-treasury cities to give the benefit of quick exchange to smaller geographical divisions.

SAVING IN INTEREST.

An economical feature of the plan is that it saves interest on the bonds while the certificates are outstanding, and even while the Treasury has possession of them.

If the Treasury receives bond certificates as currency in the regular course of business, it will naturally retain them as banks would, and thus save interest.

A permanent holding of bond certificates by the Government is, automatically, the equivalent of a sinking fund to the extent

to which they are so held. They are simply an "offset" to the bonds.

FORMER CONTENTIONS.

The plan settles many former contentions and criticisms of our currency and bond issues.

The bonds are short term. The contention of the Populist Party that they were always issued for long terms and that the Government, to reduce the debt, had to pay large premiums at a time when interest rates were declining, is fully met.

The bond certificates are not the irredeemable paper currency once clamored for.

The bond certificates are not the impracticable interest bearing notes the Government once issued and which went permanently out of circulation as soon as the interest began to accrue on them.

PREMIUM ON BONDS.

As the Government maintains parity with gold on the new bonds by fixing the interest rate on one serial issue every six months, it does not concern itself with premium on bonds, as *it never sells them.* It holds them merely for the purpose of exchange for the *only* thing which will command them, viz., bond certificates.

It, therefore, follows that to secure them with other forms of money they must be bought in the open market, and it is this open market which will enable any financier to determine what the interest can safely be fixed at to keep the bonds at or above parity with gold. (See Note 3, page 19.)

AMOUNT OF BONDS.

The total issues of bonds authorized could be fixed at any amount to provide for the contingencies of war or for war preparations, if desired. It is not the *amount* of bonds authorized, or even the amount placed with the Custodian, which constitutes the debt, but the amount of bond certificates *issued* which alone represents it; hence, it might be advisable to authorize a total issue of $2,000,000,000 with issues of $100,000,000 expiring every six months. In such case some of the serial issues provided for would not be issued but reserved for an emergency, or, the amount of the issues could be varied.

WHEN THE INTEREST RATE SHOULD BE FIXED.

It is possible to delay the determination of the interest rate on each of the serial issues to within thirty days of their several dates. While the bonds are printed by hand from steel plates (a slow process), the date, interest rate and interest table can be quickly printed from type on ordinary printing presses.

I would suggest a smaller bond, with larger coupons than usual.

DURABILITY OF BOND CERTIFICATES.

While the bonds would have to be printed for each *particular* issue, the certificates, which may be of any denomination desired, are *general* and command any bond issue, or any particular issue designated by the Secretary of the Treasury, if deemed advisable. They will last indefinitely, not being subject to the wear and tear of ordinary currency.

A FINANCIAL BAROMETER.

The daily summarized reports of "Custodians" showing the relative amounts of bonds and bond certificates on hand would be a better barometer of local and general currency conditions than are now the clearing house reports of business conditions.

DENOMINATION OF BOND CERTIFICATES.

Bond certificates can be issued of any denomination. Even 1, 2 and 5 dollar bills may be provided. Their issue and use would be more general than those of the larger denominations because they are more needed in panicky times, and also because a creditor for large amounts would prefer to take bonds plus interest, to certificates.

PREMIUM ON BONDS DURING PANICS.

When there is a special demand for currency, as in panicky times, bonds will command a higher premium for the purpose of securing currency, and while such a condition exists the Government saves interest.

FUNDING THE DEBT.

The Secretary of the Treasury will naturally fund the debt as rapidly as he can do so with ultimate saving of interest.

ANSWERS TO POSSIBLE OBJECTIONS.

As to favoritism in distribution of bonds:

The geographical distribution of the bonds is practically automatic. The Treasurer in cancelling any of the present debt by

purchase pays out *only bond certificates,* and only for the *principal* of the debt he is about to fund. The premium and the interest, if any, is paid in other forms of money duly appropriated for that purpose. The holder naturally presents them for the new bonds at the sub-treasury *in his district.* Hence the bond certificates are deposited there. This eventually distributes the bonds and bond certificates to the different centres where the present debt is now held.

The Treasury, however, must make transfers from one sub-treasury to another as required, in order to make exchanges where demanded.

Another question is—"Which of the varying interest rate bonds should the 'Custodian' give in exchange for bond certificates when presented?"

This, I admit, has been the most puzzling question I have had to consider. Naturally, it should be left to the Secretary of the Treasury. He could, when paying out the certificates, arrange to have the bonds which have been prepared to meet that purchase, specifically assigned. As a general proposition the certificates should command any issue the Custodian might have.

CUSTOMS DUTIES.

Another question much agitated was the refusal of the Government to accept greenbacks for customs dues during the Civil War period and after. It must be remembered that we were not then on a gold basis; even after the war the Government had to pay interest in gold because our bonds were largely held abroad and it was then the only way to secure gold for that and other purposes.

Although any form of current money would suffice in ordinary times, yet in the event of war, customs duties should be made payable in gold, not only for the purpose of paying interest, but to cover the purchase of war materials and for war expenses abroad.

INCOME YIELD TO BANKS.

Regarding the rate of interest which the Government may secure on the new bonds, it is my firm belief that as low as 1.2 or 1.4 per cent may suffice under this plan. These conclusions rest on the fact that as National Banks investing *capital* in the present bonds to secure circulation (which capital might be fully loaned at 5 per cent) have a net income derived from circulation

(over and above 5 per cent) after paying taxes on circulation, etc., of only 1.25 to 1.4 per cent, whereas, under this plan they could invest a part of the *currency* they are required to keep on hand as a reserve, which now yields nothing, to earn fully as much, to say nothing of an increased amount possible to hold as a reserve which would earn interest.

It may be deemed a matter of justice as well as of expediency to give the National Banks serial issues of the new bonds bearing 2 per cent interest for the bonds now deposited by them to secure circulation instead of bonds bearing a lower "competitive" rate of interest. (The amount of National Bank Notes outstanding March 1, 1913, is $752,629,739.)

Many other questions are likely to arise in effecting a change in our currency which may have a relation to, and a bearing upon, the "Bond and Bond Certificate" system as here outlined. If, however, the principle be sound, I am sure such questions can be met.

A strong argument for the plan is that it aims to unify our currency system, which would be a certificate system throughout.

As stated previously, it is desirable to have all our certificates redeemable *in kind.* This is true of gold certificates but *not* of silver certificates, hence a

GOLD RESERVE.

To keep silver on a parity with gold the Treasury maintains a gold reserve of 150 millions of dollars. The reserve is to enable the Treasury to redeem Silver Certificates in gold on demand just as a bank maintains a reserve to meet the demands of its depositors. This is the prime requisite of banking, and to this extent, or even more,* the Government is in the banking business.

Let us see if the Government can get away from it.

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* The Government, in issuing notes which are secured by the general assets of the Treasury, is really doing a banking business, whose safety depends upon the degree in which the Administration and the Legislature understand the methods of banking. At the very best, there is danger that the assets on which the Government relies for the payment of such notes will fail in an emergency. The Treasury Department is not well constituted for doing a general banking business.

—Prof. Hadley, "Economics," §214—2, page 191. *Redeemable paper.* (Putnam, 1904.)

THE SMALLER DENOMINATIONS OF OUR CURRENCY.

The amount of all kinds of our currency of the denominations of one, two and five dollars, on March 1st, 1913, was as follows:

United States Notes	$197,790,363
Treasury Notes of 1890	1,256,940
National Bank Notes	143,449,574
Silver Certificates	447,035,209
A total of	$789,532,086

The general stock of silver dollars on the same date was	$565,536,020
Less Silver Certificates of all denominations outstanding and in the Treasury	469,324,000
Hence, silver dollars in circulation for which no certificates are issued, amount to	$ 96,212,020
which amount added to the above total indicates that	$885,744,106

is the sum of currency of the denominations of one, two and five dollars and silver dollars required for the business needs of the country.

KINDS OF SMALL BILLS.

The amounts of all kinds of paper currency of the denominations of one, two and five dollars outstanding March 1st, 1913, are as follows:

One dollar, $173,912,960, of which $171,372,557 are Silver Certificates.

Two dollars, 67,094,074, of which 65,320,075 are Silver Certificates.

Five dollars, 548,525,052, of which 210,342,577 are Silver Certificates.

Total $789,532,086, of which $447,035,209 are Silver Certificates.

The Silver Certificates of large denominations which can be converted into these small bills aggregate	$ 22,288,791
Total Silver Certificates outstanding	$469,324,000
This still leaves a shortage of	320,208,086
of these bills to make the present total of	$789,532,086

which shortage must be provided in some form, preferably gold certificates of the denomination of five dollars.

It seems to the writer that if the needs of the country for the smaller denominations (1, 2 and 5 dollar bills and silver dollars) be 885,000,000 dollars, coinage of silver dollars having been discontinued, it is fair to presume that the present limit of Silver Certificates ($469,000,000) or a slightly increased amount to make the even sum of $500,000,000, all of said certificates being of the denominations of one, two and five dollars, no gold reserve should be required to maintain parity; at all events, it can be materially reduced.

The circulation per capita March 1st, 1913, was $34.56. Of this only five dollars per capita would be in Silver Certificates.

CURRENCY VS. COIN.

The Americans as a people prefer carrying currency to coin, whether gold or silver. There is absolute need of one, two and five dollar bills, and when the silver certificates are limited to the denominations of one, two and five dollars and to a total sum not exceeding five hundred millions, which total sum is about five-ninths of the country's present use of bills of these denominations, there would seem to be no necessity of maintaining a gold reserve. Small bills are indispensable. During the 1907 panic small bills commanded a premium of five per cent. This demand was largely met by the issuance of clearing house certificates.

MODIFICATIONS.

I have given as my opinion that the present gold reserve is hardly necessary. If apprehensive on this point, it can be safely reduced to 50 or 75 millions.

If objection be made to the renewal term of the bonds, which is a necessary feature of the plan, 75 millions of the present gold reserve could be retained for the purpose of paying off any issue, and we would then have several months' time for a renewal of that issue at an interest rate to command gold to replace the reserve, which reserve would be available to meet the next expiring issue likewise.

WHERE TO BEGIN THE FUNDING PROCESS.

It would be desirable to first fund the outstanding interest bearing bonds which are not deposited to secure National Bank circulation in order to prevent even temporary contraction of the currency. These amount to over two hundred millions of dollars.

SUMMARY.

Let us now summarize what the plan may be expected to do:

1. Maintain a gold standard.
2. Consolidate the public debt.
3. Release the gold reserve in whole or part, or retain part of it to pay any serial issue of bonds about to mature.
4. Simplify the Government finances.
5. Get the Government out of the banking business.
6. Furnish an ample supply of currency for actual needs.
7. Prevent inflation of the currency circulation.
8. Provide a self-adjusting volume of currency.
9. Cause a great saving in the interest rate.
10. Secure "Call Loan" rates of interest.
11. Furnish a ready supply of currency when needed.
12. When currency is not needed, it gets out of circulation automatically in order to earn a little interest.
13. A low interest rate to the Government is assured on account of general competition for bonds.
14. No special privilege to any person or class.
15. A plan to meet an emergency, even that of war.
16. A strictly "reserve" currency.
17. Unifies our currency system.
18. A currency most desired, viz., United States Notes.
19. An automatic sinking fund.
20. A saving of interest to the Government every day the currency is in use and also when held by the Treasury.
21. Direct dealing with the people in the issue of Government bonds.

22. A practical method of determining the proper rate of interest.
23. A practical system of interchanging bonds and currency, as premium and discount are eliminated in the exchanges by the Treasury.
24. The more money the country needs, the lower will be the rate of interest paid by the Government.
25. A plan that is sound "economically."
26. No injustice to National Banks by the withdrawal of the circulation privilege as it gives them along with others an interest-earning privilege on money reserves, which at the same time is an advantage to the Government by getting a low competitive interest rate on its public debt.
27. A funding plan which may proceed as slowly or rapidly as desired to take advantage of interest rates.
28. Improves the quality of our legal tender notes by reason of the bond security back of them.
29. Daily reports of "Custodians," a financial barometer, local and general.
30. The Government loans money on its own bonds.
31. The Government would retain the circulation privilege for its own benefit. This benefit would take the form of a very low interest rate.

ADDENDA.

NOTE 1.—At the time of going to press it occurs to me to suggest that though I have not treated P. O. Savings bonds as part of the National Debt, for the reason that the Government invests these savings so as to pay 2½ per cent interest on these bonds, yet it is possible to include them, to some extent, in the general scheme.

Whenever a savings bond holder wishes to dispose of his bond he should be privileged to do so at any sub-treasury, where he will be paid its face value in bond certificates, together with accrued interest.

NOTE 2.—The reason for exchanging bonds for *bond certificates only*, is to prevent contraction of the currency and to make the certificates more valuable than any other circulating medium.

NOTE 3.—Instead of determining the interest rate for each serial issue of bonds by the premium they command in the open market, it could be determined on a *fixed basis*, using as a base a certain percentage which the bond certificates outstanding should bear to the total amount issued.

For example: If it be determined that, say, 20 per cent of the certificates should circulate as currency, the rate on the last bond issue being 1.8 per cent and the circulation proved to be *less* than 20 per cent, the interest rate on the forthcoming issue would be reduced to, say, 1.6 per cent. If, however, the circulation was *over* 20 per cent, as shown by the Custodians' reports, the rate would be *raised* to, say, 2 per cent on that issue. Any percentage could be made a fixed base, or it could be made changeable under certain restrictions.

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